

# *SRC Key Initiatives*

## Getting Washington Back to Work

Final 2004



### **Small Market Health Insurance Fix**

*"What is the point in offering a product no one can afford?"*

Little within the small group health insurance market is actually left to the market. Current law requires health insurance carriers in the small group market to offer only a comprehensive health plan, covering certain providers and conditions. This "all or nothing" approach to small group health insurance leaves one product in the market and very few can afford it.

In a recent National Federation of Independent Business (NFIB) member survey, 20 percent reported dropping health coverage over the past eight years. In 1993, 65 percent of small businesses in Washington offered employees health care benefits. Today, only 47 percent do.

In addition, small businesses are seeing average annual premium increases of 20-50 percent, forcing even more of them to make tough decisions about their health care coverage.

Generally, they can:

- 1) discontinue health coverage for themselves and their employees;
- 2) reduce staffing levels to free up enough funding to continue health insurance coverage; or
- 3) pass additional costs onto the employee — which often results in the employee choosing to forgo coverage.

Group health plans are extremely expensive and well beyond the reach of more and more small businesses. It is estimated that 75,000 small business employees are currently without health insurance coverage.

Senate Republicans stepped up to the plate and proposed a measure to help keep Washington's uninsured population from growing.

### **ESHB 2460 – Small Insurance Market Fix (SSB 5521)**

This compromise measure reforms small group health insurance laws in an effort to improve affordability and access to health insurance. Although it does not go as far as the Senate bill to benefit the thousands of workers employed by small business, it makes some important changes that may bring more insurance carriers into the state and encourage them to provide more affordable health plans. There are working people in Washington without health insurance. This bill is expected to reduce the number of uninsured in Washington. If not, Senate Republicans vow to return with renewed efforts to ensure affordable coverage to these valuable employers and their employees.

In the last hours of session, Senate and House health care negotiators came to a compromise. The amended version of ESHB 2460:

- 1.**Conforms to federal Health Insurance Portability and Accountability Act (HIPAA) standards by changing the definition of a “small employer” to a business between two and fifty employees. This will serve to eventually shift groups of one to the individual market and make the small group market more affordable. It also expands the number of groups to whom the limited benefit plan may be offered and will make the plan more viable and available to those who can benefit most;
- 2.** Allows insurers to offer to small groups the more affordable limited benefit plan either directly or through an association. It also relieves them of the requirement to offer the expensive and unpopular comprehensive plan. This gives small employers the option of purchasing the more affordable plan, rather than dropping insurance for their employees altogether;
- 3.** Allows insurers to more accurately rate their small group plans to reflect the cost of the plan by varying rate increases based on deductibles, benefit design, or provider network by up to four percent without approval by the insurance commissioner. Health conditions of employees or past claim history of the small group cannot be a factor;

4. Allows insurers to cancel plans for groups up to 200 employees if it replaces the plan with any other small group plan it offers, stops offering in the state, or withdraws from service. This will bring Washington inline with federal HIPAA standards and most other states, and will encourage innovation by allowing plans to be replaced if they are not successful;

5. Eliminates the requirement that insurers offer conversion plans when the employee is no longer eligible for group coverage and enables them to enter the individual market without taking the health screen. This eliminates a costly and less attractive plan in favor of easier access to less expensive coverage in the individual market.

6. Eliminates the limitation on wellness discounts as an incentive for preventative care and fitness; and

7. Allows certain small business employees who become unemployed to enroll in an individual health plan without taking the health screen, providing them access to the individual market, regardless of their health status.

Conforming with federal HIPAA standards will allow insurance carriers to offer the same products throughout the nation, reducing the burden of tailoring their products to meet regulations of each state and creating greater plan portability for consumers.

**NOTE:** Senate Republicans also attempted to repeal the “every category of provider” mandate for just one small group plan. The every category of provider mandate requires all plans offered to small employers to cover treatments provided by alternative health care providers like chiropractors, massage therapists and acupuncturists. Repealing this mandate would have allowed for a potentially more affordable limited benefit plan, but this provision was taken out during negotiations.

**Testified For:** (SSB 5521) NFIB, Employer Health Care Coalition, AWB, WA Assn. of Health Underwriters, Pay Systems America, Poney Mailing Center, Olympian Precast, WA Podiatric Assn., Wenatchee Valley Chamber of Commerce, Greater Kirkland Chamber of Commerce, Group Health, Premera Blue Cross, Regence Blue Shield

***Testified Against:*** (SSB 5521) *Insurance Commissioner, WA Chiropractic Assn., WA Psychological Assn., WA Dietetic Assn., Midwives Assn., Marriage and Family Therapists, Licensed Mental Health Counselors, Assn. of Massage Therapists, WA Assn. of Naturopathic Physicians, Acupuncture Assn. of WA, Service Employees International, American Cancer Society*

**Status:** Passed the Senate 46-3. Passed House 89-7. Partial veto.

**Partial Veto Message:** This measure, as passed the Legislature, repealed a provision of state law that requires health carriers to offer conversion policies. Conversion policies allow people leaving a group plan to transfer to an individual plan. Federal law requires conversion policies for groups of more than 20. State law requires conversion policies for groups of 20 or fewer. Under the bill, people leaving a group of 20 or fewer would not be required to undergo a health screen when moving to an individual plan. The Insurance Commissioner argued that repealing the conversion requirement would put the state out of compliance with the federal Health Insurance Portability and Accountability Act (HIPAA). It is for this reason the governor vetoed this section.